



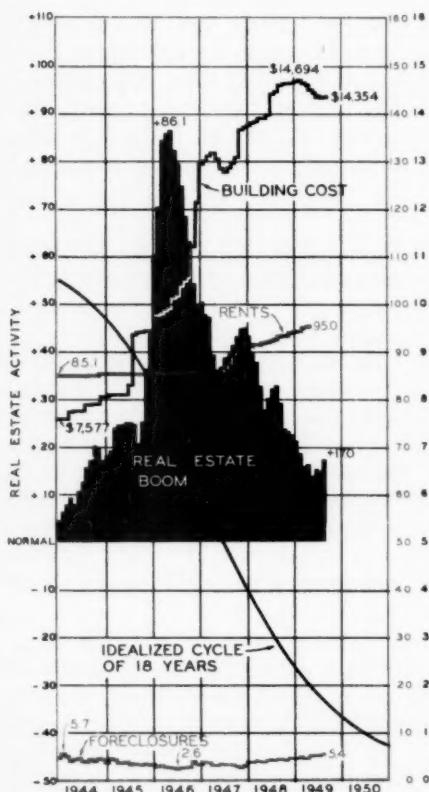
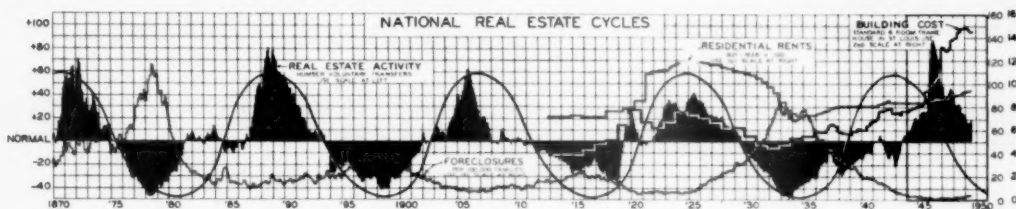
# The Real Estate TRENDS

SEPTEMBER 30  
1949

Volume XVIII

Copyright 1949 - by ROY WENZLICK & CO. - Saint Louis  
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

Number 46



## REAL ESTATE ACTIVITY

Our national real estate activity index has moved up again, reflecting the period of light recovery being enjoyed in the real estate field. The index reading in August was 17.0 points above normal, representing a recovery of 3.5 points from the postwar low reached in May of this year. This recovery period now being entered by the real estate cycle is the third one since activity began slipping from its lofty peak achieved in May 1946.

These periods of recovery have been characteristic of most downswings of the real estate cycle and we will not be surprised if one or two more develop before the index sinks below the normal line. Another possibility is that real estate activity will continue at near its present level for several months before resuming its downward course. Although 1949 has not been accompanied by the wild real estate activity of the immediate postwar year, its real estate activity has definitely been of boom proportions.

In our September issue of the Real Estate Analyst we have published real estate activity in 56 principal cities and

in the six major regions of the country. Some of the cities that are having strong recoveries in real estate activity are Dallas, Detroit, Chicago and Salt Lake City. The Southwest region, sparked by the booming Texas cities, has moved well into its third period of vigorous recovery since reaching the peak in mid-1946.

## RESIDENTIAL CONSTRUCTION

During the first part of this year, residential construction set a pace somewhat slower than that of the preceding year. Since June, however, the rate has exceeded that of 1948 by a good margin and at

the end of eight months the 1949 construction volume is only 2% below that of the same period in 1948. The table below shows the comparison between the number of nonfarm dwelling units started in 1948 and the number started thus far in 1949. The table reads in thousands of units.

	J	F	M	A	M	J	J	A	S	O	N	D
1948	53.5	50.1	76.4	99.5	100.3	97.8	95.0	86.6	82.2	73.4	63.6	52.9
1949	50.0	50.4	69.4	88.3	95.4	100.0	96.0	98.0	-	-	-	-

August not only marked the fourth consecutive month that construction volume nearly equaled 100,000 units, but marked the third consecutive month that the 1949 volume exceeded that of 1948. It appears that our guess in January of 850,000 nonfarm residential starts this year was low by at least 50,000 to 75,000 units. The total volume through August has already reached 647,500 units. In order to reach 900,000 units for the year, home builders will only have to average the modest total of 63,100 units per month. This average would be nearly 8% below the pace set during the last four months of 1948. Since the months of June, July and August 1949 have recorded over 5% more starts than did those same months in 1948, it seems improbable that this momentum will drop more than 8% below the 1948 rate for the final four months of the year.

If residential construction does reach 900,000 this year, it will be the first time in the history of the industry that this figure has been achieved in two consecutive years.

Although this will be an outstanding record, it should be pointed out that public housing has already contributed a solid block of 28,000 units to this total during the first eight months of 1949. It should also be noted that the number of units in proportion to the number of families is far off the pace set in the early 1920's. During 1923 to 1925 nonfarm residential units were started at the rate of about 46 units per 1000 nonfarm families. The best rate achieved during the present boom was 29 units per 1000 reached in July and August 1948. On this basis, in order to equal the rate of the 1923-1925 period we would have to build an average of 1,560,000 nonfarm dwelling units for the next three years. We doubt very seriously that this will be done.

## RENTS, WAGES AND THE COST OF LIVING

The chart on pages 404 and 405 shows the courses followed by rents, wages and the various cost of living items in the United States from 1913 through July of this year. In view of the great attention

being paid to the fourth round wage increases, the line showing wages in comparison to the cost of living is particularly interesting. This wage line is taken from the

Federal Reserve Bank of New York wage index and includes all types of wages. Notice that since 1933 this wage index has risen faster and farther than the cost of living.

It is also interesting to note that despite the fact that all other markets are operating at near all-time peaks, the national rent index is still 5% below the level of the 1921-1938 average.

#### CONSTRUCTION COSTS

On pages 406 and 407 are shown the September costs of our seven buildings. Very little change has occurred in the costs of these buildings since August.

The slight rise in cost is accounted for by small increases in the cost of several plumbing items.

#### BUSINESS ACTIVITY

Since dropping to the normal line in July of this year, the business activity index has risen rather strongly to approximately the level it occupied in

April. The devaluation of the European currencies is bound to be felt in this country because this step makes their money worth less in purchasing our products. Therefore, since our exports to the devaluing countries will now be higher in price we can expect that they will buy much less from us than formerly. The other side of the devalued coin shows cheaper prices on items we buy from those countries. Reduced to fundamentals, devaluation of this type means that the severest type of competition will face large segments of American industry. Firms exporting automobiles, tractors, farm implements, electrical appliances, cotton, machine tools, etc., have found that overnight the sales prices of their products have increased between 30 and 45%. A price jump of this magnitude cannot help but place these companies at a great disadvantage and cut deeply into their volume of export business.

On the other hand, many products from the devalued countries will now be a great deal cheaper. Prices of rubber, cocoa, coffee, hides, woolen textiles, whiskies, china, glassware and cutlery are only a few that are, or soon will be, lower. Domestic manufacturers of these products will soon have to compete with large quantities of these goods flowing into our country at greatly reduced prices.

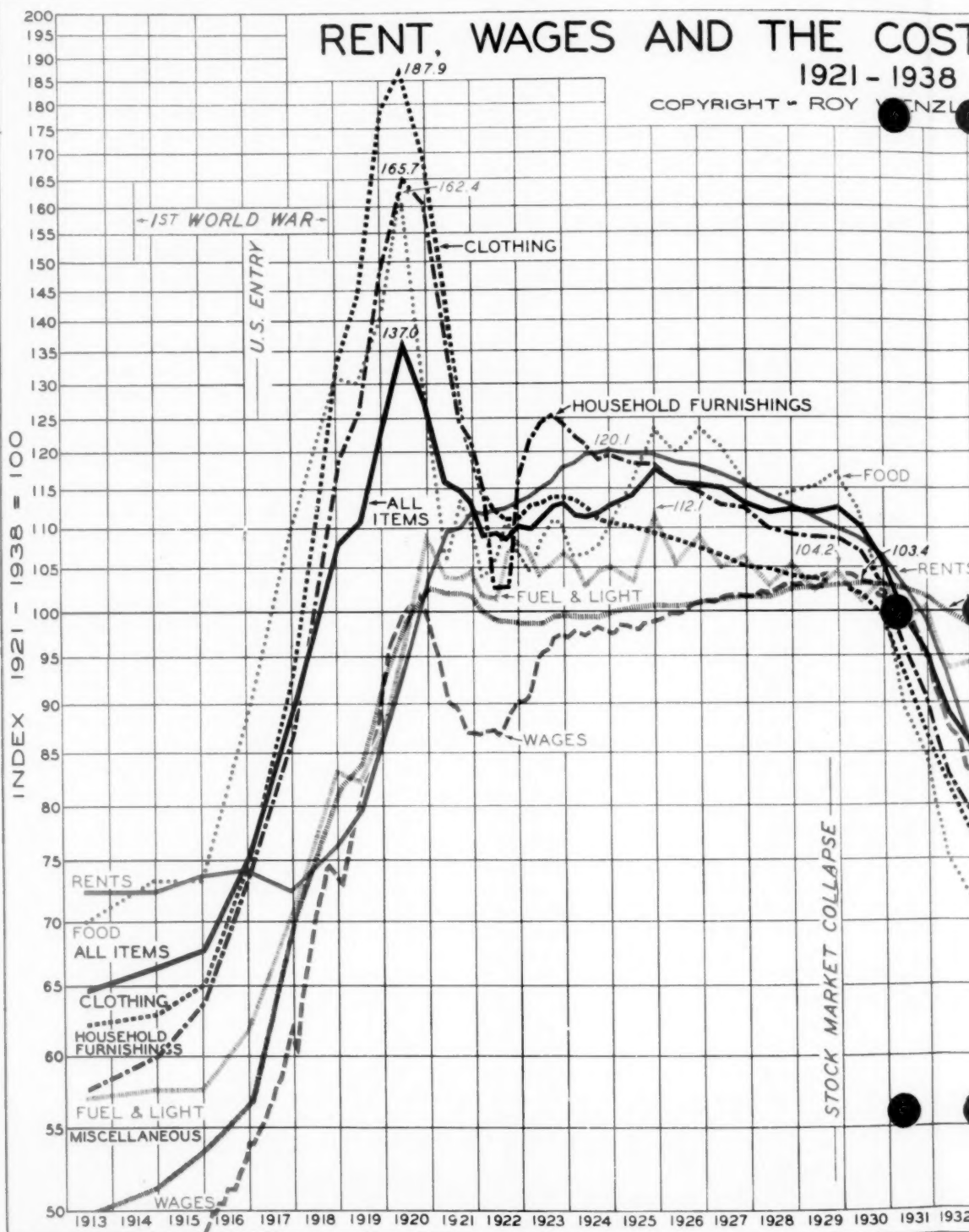
This price competition at home and abroad will put the squeeze on American production because fewer products will be required for export and the flow of imports will drive down domestic production of competing goods. It is too early to say how drastic the effect of this dual competition will be, but it may become so severe as to force devaluation of the dollar.

European devaluation will lighten the foreign relief burden the United States has carried for the past few years. Consequently, everything else being equal, taxes should go down. On the other hand, every shipload of European goods that enters our country means that we are temporarily importing so many man hours of unemployment. There is no easy way. Either our standard of living is kept down by giving away our merchandise and taxing ourselves to pay for it, or we try to compete with their devalued goods at the cost of temporarily rising unemployment.

# RENT, WAGES AND THE COST

1921 - 1938

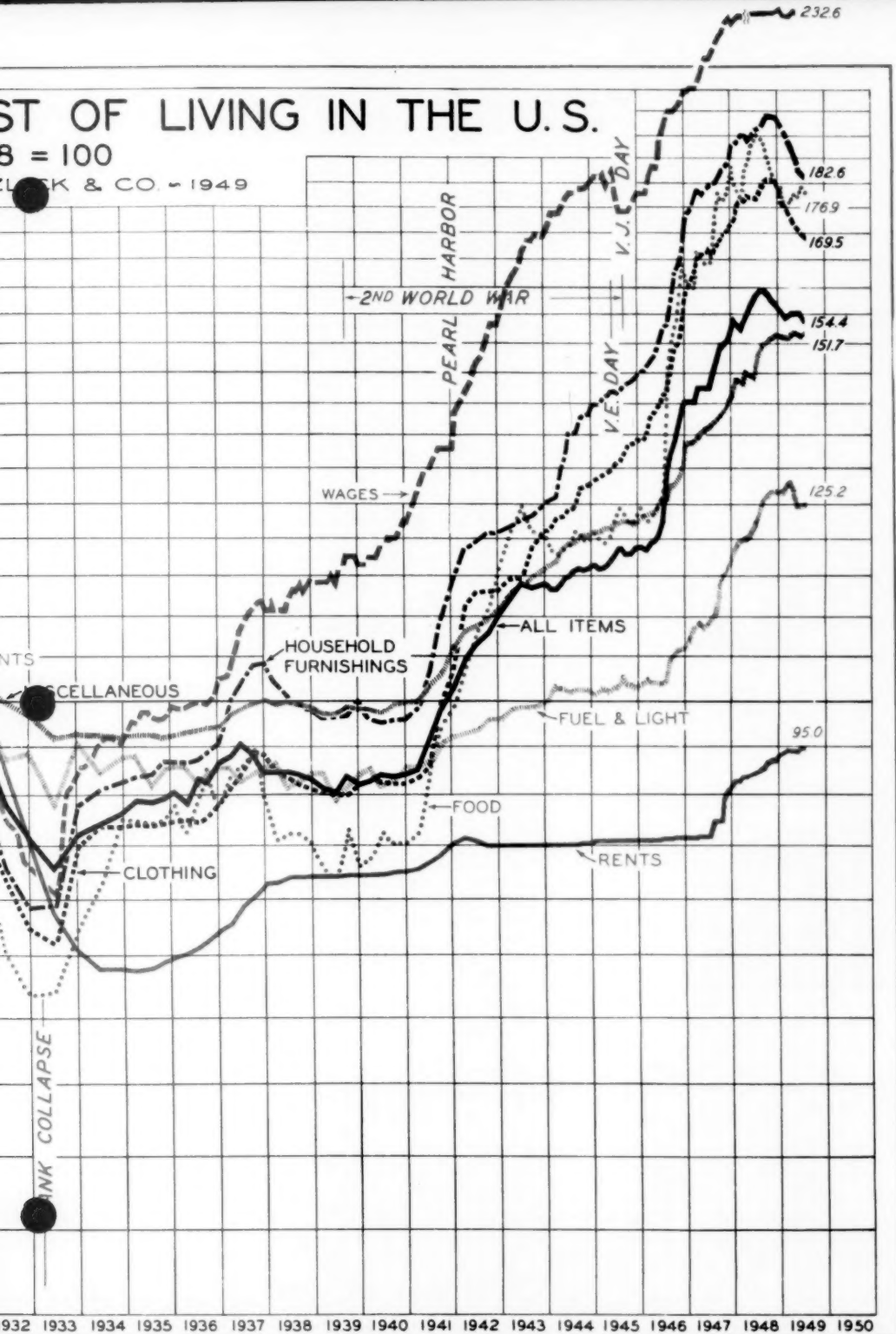
COPYRIGHT - ROY YENZL



# ST OF LIVING IN THE U.S.

B = 100

CLARK & CO. 1949





# INCREASES IN BUILDING COSTS SINCE 1939

(SAINT LOUIS)



## SIX-ROOM BRICK HOUSE (FRAME INTERIOR)\*

Content: 23,100 cubic feet

1,520 square feet

Cost 1939: \$ 6,400

(27.7¢ per cubic foot; \$4.21 per square foot)

Cost today: \$14,550

(63.0¢ per cubic foot; \$9.57 per square foot)

INCREASE OVER 1939 = 127.2%



## FIVE-ROOM BRICK VENEER HOUSE\*

Content: 24,910 cubic feet

1,165 square feet

Cost 1939: \$ 5,440

(21.8¢ per cubic foot; \$ 4.67 per square foot)

Cost today: \$12,723

(51.1¢ per cubic foot; \$10.92 per square foot)

INCREASE OVER 1939 = 134.0%



## SIX-ROOM FRAME HOUSE\*

Content: 25,376 cubic feet

1,650 square feet

Cost 1939: \$ 5,894

(23.2¢ per cubic foot; \$3.57 per square foot)

Cost today: \$14,354

(56.6¢ per cubic foot; \$8.70 per square foot)

INCREASE OVER 1939 = 143.5%



## 6-ROOM CALIFORNIA BUNGALOW - NO BASEMENT

Content: 12,119 cubic feet

992 square feet

Cost 1939: \$3,117

(25.6¢ per cubic foot; \$3.14 per square foot)

Cost today: \$7,492

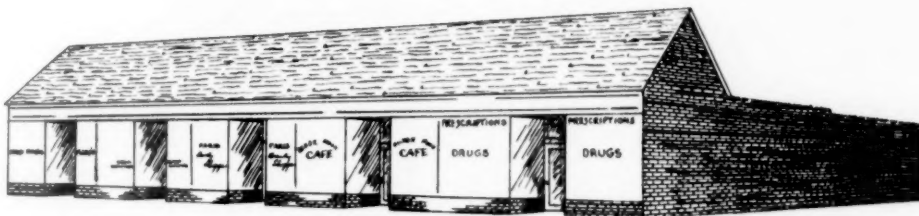
(61.8¢ per cubic foot; \$7.55 per square foot)

INCREASE OVER 1939 = 140.1%

\*Costs include full basement.

# INCREASES IN BUILDING COSTS SINCE 1939

(SAINT LOUIS)



## COMMERCIAL BUILDING - NO BASEMENT

Content: 115,850 cubic feet  
8,075 square feet

Cost today: \$45,980  
(39.7¢ per cubic foot; \$5.69 per square foot)



## 18-FAMILY BRICK APARTMENT (FRAME INTERIOR)\*

Content: 168,385 cubic feet  
13,260 square feet

Cost 1939: \$ 60,300  
(35.8¢ per cubic foot; \$ 4.55 per square foot)  
Cost today: \$140,785  
(83.5¢ per cubic foot; \$10.62 per square foot)  
INCREASE OVER 1939 = 133.0%



## 30-UNIT REINFORCED CONCRETE APARTMENT\*

Content: 303,534 cubic feet  
21,372 square feet

Cost 1939: \$135,000  
(44.5¢ per cubic foot; \$ 6.33 per square foot)  
Cost today: \$297,750  
(98.1¢ per cubic foot; \$13.93 per square foot)  
INCREASE OVER 1939 = 120.2%

\*Costs include full basement.

## REAL ESTATE MORTGAGE ACTIVITY AND FORECLOSURES

ginning of the year.

For the third straight month the real estate mortgage activity index has shown an increase. After reaching its postwar low of 145.5 in April of this year, it bounced back smartly to 158.4 in July. This is within a few points of its level at the be-

Through the first half of this year the average nonfarm mortgage filed was for \$4,625, or about 1% higher than the average during the first half of 1948 and 4% higher than during the same period in 1947. Although the total number of mortgages filed during the first five months of 1949 was 8% below the number filed in the first five months of 1948, mutual savings banks increased their participation in this field by about 5%.

The chart at the bottom of the page shows the rebound in mortgage activity. We believe that this index will remain fairly even during the balance of the year, and that on the whole the mortgage business should be fairly brisk.

The red line on the chart shows that foreclosures have definitely started creeping up. For several years this index has moved sluggishly along the bottom of the chart with no movement of particular importance. The significance of its present position (5.4 foreclosures per 100,000 nonfarm families) lies in the change of direction taken by the index. This change took place during the middle of 1946, but the increase in foreclosures has been so slight that it is only recently that a pronounced upward trend has become apparent. We expect this index to continue its climb, and while we anticipate no particular excitement for several months, we recommend that a close watch be kept on it.

